



NCUA Media Release

Matz Unveils Plan to Relieve Regulatory Burdens, Strengthen Safety and Soundness

NCUA Chairman Launches Regulatory Modernization Initiative

WASHINGTON (Sept. 19, 2011) – National Credit Union Administration (NCUA) Board Chairman Debbie Matz today announced a “Regulatory Modernization Initiative” to keep credit unions safe and sound while relieving regulatory burdens.

“In cases where regulations are ineffective or overly burdensome, they should be eliminated or streamlined,” said Matz, speaking in support of President Obama’s recent Executive Order 13579 on Regulations and Independent Agencies. “I also believe where new risks have arisen and current regulations are outdated or insufficient, those regulations need to be modernized.”

With today’s speech to the National Association of Federal Credit Unions Congressional Caucus, Matz described how Regulatory Modernization will balance two key principles:

- 1) **Safety and soundness**—strengthening regulations necessary to protect the 91 million credit union members and the National Credit Union Share Insurance Fund;
- 2) **Regulatory relief**—stripping away regulations that limit flexibility and growth, without jeopardizing safety and soundness.

“For rules which NCUA can control, we will ensure that they are in sync with the modern marketplace, clearly written, and targeted to areas of risk,” Matz said.

Many credit unions have grown more complex and now engage in more sophisticated ventures. “Generally, this increased sophistication is a positive trend for the credit union industry,” said Matz. “However, as products, services, tools and relationships evolve and become more risky, NCUA rules must also evolve.”

In modernizing regulations, Matz said, “My goal is to target risky behaviors in credit unions, not credit unions themselves.” This targeted approach will affect only those behaviors most likely to cause losses, which would be borne by credit unions.

NCUA is planning to modernize four main rules to strengthen safety and soundness by addressing marketplace practices and emerging risks:

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- A new loan participation protection rule covering both originators and buyers – to require originators to retain some of the original loan risk on their balance sheets, and require buyers to do due diligence not just at origination, but on-going, just as they would for loans they originated in-house.
- A new investment concentration exposure rule – to limit concentrations in the riskiest investments, similar to the new investment standards for corporate credit unions.
- A revised Credit Union Service Organization risk transparency rule – to provide a clearer picture of the off-balance sheet risks at CUSOs that sell high-risk services to credit unions.
- A targeted interest rate risk management rule – to require credit unions over certain asset sizes and risk thresholds to have an appropriate policy to manage their risk.

Balancing these safety and soundness protections, Matz introduced regulatory relief proposals to reduce credit unions' compliance burdens:

- Allowing credit unions to use simple derivatives as an interest rate hedge;
- Allowing credit unions to count subordinated debt toward risk-based net worth and to assign zero-risk weights to most U.S. Treasury securities;
- Extending six of the seven remaining RegFlex provisions to all federal credit unions; and
- Supporting legislative efforts to lift restrictions on member business lending and supplemental capital for credit unions.

“Regulatory Modernization means effective regulation, not excessive regulation,” Matz concluded. “NCUA is committed to balance. We must ensure the safety and soundness of all credit unions as new risks emerge. Yet, we must allow the industry to remain dynamic and competitive by providing relief from unnecessary burdens or outdated regulations, wherever possible and consistent with safety and soundness.”

Credit unions may keep informed of NCUA's Regulatory Modernization initiative by signing up for NCUA Express at <http://preview.ncua.gov/Pages/NCUAExpress.aspx>.

For text of Matz's speech, visit <http://www.ncua.gov/GenInfo/Members/Matz/Speeches.aspx>.

NCUA is the independent federal agency created by the U.S. Congress to regulate, charter and supervise federal credit unions. With the backing of the full faith and credit of the U.S. Government, NCUA operates and manages the National Credit Union Share Insurance Fund, insuring the deposits of more than 91 million account holders in all federal credit unions and the overwhelming majority of state-chartered credit unions.

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